

**CMP: INR 195**

**Rating: Buy**

**Target Price: INR 236**

### Stock Info

BSE	543277
NSE	LXCHEM
Bloomberg	LXCHEM:IN
Reuters	LAXR:NS
Sector	Chemicals
Face Value (INR)	2
Equity Capital (INR Mn)	554.05
Mkt Cap (INR Mn)	53,764
52w H/L (INR)	326/160
Avg Yearly Volume (in 000')	1,478

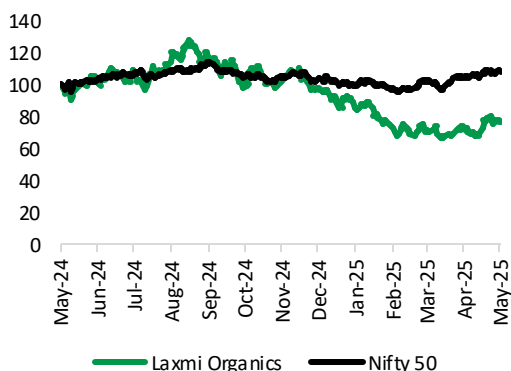
### Shareholding Pattern %

(As on Mar, 2025)

Promoters	69.39
FII's	2.48
DII's	3.38
Public & Others	24.75

Stock Performance (%)	1m	6m	12m
Laxmi Organics	7.33	-24.64	-22.19
NIFTY	2.05	2.61	8.26

### Laxmi Organics vs Nifty 50



Laxmi Organics reported Q4FY25 earnings below our estimates however margins are in line our estimates. The total Volumes increased by 11% YoY for FY25. Revenue came at INR 7,097 Mn, against our estimates of INR 7,734 Mn, down 9.75% QoQ & 10.40% YoY. EBITDA came at INR 590 Mn, against our estimates of INR 620 Mn, down 21.09 QoQ / down 34.46% YoY. EBITDA Margins came at 8.3%, against our estimates of 8.0%, down 199.5 bps QoQ / down 305.1 bps YoY. PAT came at INR 218 Mn, against our estimates of INR 226 Mn, down 25.76% QoQ / down 50.89% YoY.

### Investment Rationale:

**Fluorination Business Ramp-Up and New Hitachi Tie-Up Create Long-Term Growth Visibility:** The fluorination intermediate plant at Lote started commercial sales in Q4FY25. The company remains confident of achieving 40–60% of peak capacity utilization by FY26 and reaching full ramp-up by FY27. Importantly, it signed a LOI with Hitachi Energy for supply of fluorinated products. This project gives Laxmi a strong entry into a new sector — power transmission chemicals — diversifying its specialty portfolio beyond traditional markets. This strategy will create a potential for new high-margin product pipelines.

**Strategic Diversification Underway:** While the Essentials segment is cyclical and currently in the bottom of its cycle, the company's continues to outperform peers. It is consciously reducing its dependency on ethyl acetate (which contributed 85% to Essentials revenue in FY24) to ~ 65% by FY28 by adding products like n-propyl acetate and butyl acetate. Ethyl acetate capacity is also being expanded with a 70,000 TPA single-line plant, the largest in India, improving economies of scale. The business continues to add newer high-value products and enter new industries like personal care and electrical insulation chemicals, ensuring long-term margin stability and reducing over-dependence on agro or pharma sectors.

### Outlook and Valuation:

The company faces near-term headwinds but maintains promising medium to long-term growth prospects. Its essentials business is currently at the cyclical bottom with compressed margins, though management appears confident that industry consolidation could occur. The specialty chemicals segment, while maintaining healthy 23% EBITDA margins, faces a slight setback with the regulatory phase-out of one product that will impact H1FY26 performance. However, the growth trajectory looks encouraging with multiple levers: commercialisation of the Lote fluoro facility expected to reach 40-60% of peak revenues in FY26, mechanical completion of the Dahej "Indra Dhanush" project in H2FY26, and a strategic expansion into power transmission chemicals through the Hitachi Energy partnership. The long-term goal is to double volumes by FY28 and achieve a 20% ROCE, with growth driven by new products, specialty expansion, and better cost efficiencies once the market cycle turns favourable. **We expect Laxmi's revenue, EBITDA, and PAT to grow at a CAGR of 15.02%, 25.90%, and 31.48%, respectively, over FY26-28E and arrive at a TP of INR 236 per share via DCF Method. Accordingly, we maintain a "BUY" rating on the stock.**

### Financial Performance:

Summary (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	28,678	29,854	32,202	36,288	42,604
EBIDTA	2,585	2,796	4,064	5,088	6,442
Net Profit	1,205	1,135	1,988	2,638	3,437
Diluted EPS	4.37	4.10	7.18	9.52	12.41
P/E (x)	44.61	47.59	27.17	20.48	15.72
EV/EBIDTA (x)	19.30	18.97	12.94	10.14	7.71
P/BV (x)	2.99	2.83	2.58	2.31	2.03
ROE (%)	6.70%	5.95%	9.50%	11.28%	12.89%
Debt/Equity (x)	19.30	18.97	12.94	10.14	7.71

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Particulars (Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY
Revenue	7,097	7,863	7,921	-9.7%	-10.4%
Expenses					
COGS	5,197	5,835	5,581	-10.9%	-6.9%
<b>Gross Profit</b>	<b>1,900</b>	<b>2,029</b>	<b>2,340</b>	<b>-6.4%</b>	<b>-18.8%</b>
<i>GPM (%)</i>	26.77%	25.80%	29.54%	97bps	-277bps
Employee Benefits Expenses	321	345	434	-7.1%	-26.2%
Other Expenses	989	936	1,005	5.7%	-1.6%
<b>EBITDA</b>	<b>590</b>	<b>748</b>	<b>900</b>	<b>-21.1%</b>	<b>-34.5%</b>
<b>EBITDA Margins</b>	<b>8.31%</b>	<b>9.51%</b>	<b>11.36%</b>	<b>-119bps</b>	<b>-305bps</b>
Depreciation	395	312	306	26.7%	29.3%
EBIT	195	436	595	-55.3%	-67.2%
EBIT Margins	2.75%	5.54%	7.51%	-280bps	-476bps
Other Income	11	56	79	-80.5%	-86.1%
Finance Costs	73	22	(6)	240.1%	NA
Exceptional Items	-	-	-		
<b>PBT</b>	<b>132</b>	<b>471</b>	<b>680</b>	<b>-71.9%</b>	<b>-80.5%</b>
Taxes	(85)	177	237	-148.0%	-136.0%
Tax Rate (%)	-64%	38%	35%	NA	NA
<b>PAT</b>	<b>218</b>	<b>293</b>	<b>443</b>	<b>-25.8%</b>	<b>-50.9%</b>

**Q4FY25 Concall Highlights**

- Acetic acid prices declined by ~11% YoY, from an average of INR 450 to INR 400, and management anticipates further softening in Q1FY26.
- Ethanol prices decreased by ~15% YoY. Ethyl acetate spreads are currently subdued at \$140-150 / MT compared to historical averages of \$225 / MT over a 10-13 year period.
- The agro sector continues to show weakness in demand, while other sectors including pharmaceuticals, printing, packaging, pigments, and industrial solutions demonstrate stability.
- Signed an LOI with Hitachi Energy to manufacture chemicals for power transmission and generation, expanding into a new market segment previously served by Chinese suppliers.
- The Fluoro Intermediate site at Lote commenced commercial sales in Q4FY25, and management aims to reach 40-60% of peak revenues in FY26.
- The Dahej expansion project "Indra Dhanush" has received environmental clearance and factory licenses and remains on track for mechanical completion and chemical charging in H2FY26.
- The company is diversifying its essentials portfolio to reduce dependence on ethyl acetate from 85% currently to ~65% by FY28.
- The total planned capex is ~ INR 11,000 Mn, with a large portion expected to be completed by H1FY26.
- Anticipates a maximum term loan of INR 3,500 Mn with debt-to-equity ratio peaking at 0.23-0.30, which they plan to pay off by FY27-28.
- The company has reduced term loans from INR 900 Mn to ~ INR 420 Mn in FY25.
- Management confirmed they will not dilute equity to fund expansion plans.
- The company aims to achieve 20% ROCE by FY28 through capacity expansion, portfolio diversification, and operational improvements across the business cycle.
- One specialty product representing less than 10% of the specialty portfolio faces a regulatory phase-out in its end application, which will have a minor impact on the company's P&L in H1FY26.
- The company's exposure to the US market is less than 10% of enterprise-level sales, and they view the current market dynamics as neutral to positive.
- The EBITDA margins for specialties business was 23% for FY25, while essentials business delivered 3% EBITDA margin.
- The working capital cycle remains at 24 days compared to 11 days in the previous year.

## Financial Statements

## Income statement (INR Mn)

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Gross Sales	27,939	28,678	29,854	32,202	36,288	42,604
<b>Net Sales</b>	<b>27,939</b>	<b>28,678</b>	<b>29,854</b>	<b>32,202</b>	<b>36,288</b>	<b>42,604</b>
YoY (%)	-9.4%	2.6%	4.1%	7.9%	12.7%	17.4%
<b>Adjusted COGS</b>	<b>18,449</b>	<b>21,535</b>	<b>21,802</b>	<b>23,076</b>	<b>25,750</b>	<b>29,934</b>
YoY (%)	-12.7%	16.7%	1.2%	5.8%	11.6%	16.2%
<b>Personnel/ Employee benefit expenses</b>	<b>1,159</b>	<b>1,479</b>	<b>1,465</b>	<b>1,581</b>	<b>1,601</b>	<b>1,794</b>
YoY (%)	-6.9%	27.6%	-0.9%	8.0%	1.2%	12.1%
<b>Manufacturing &amp; Other Expenses</b>	<b>4,788</b>	<b>3,080</b>	<b>3,791</b>	<b>3,481</b>	<b>3,850</b>	<b>4,435</b>
YoY (%)	-0.2%	-35.7%	23.1%	-8.2%	10.6%	15.2%
<b>Total Expenditure</b>	<b>24,396</b>	<b>26,093</b>	<b>27,058</b>	<b>28,138</b>	<b>31,200</b>	<b>36,163</b>
YoY (%)	-3.7%	-27.0%	8.2%	45.3%	25.2%	26.6%
<b>EBITDA</b>	<b>3,543</b>	<b>2,585</b>	<b>2,796</b>	<b>4,064</b>	<b>5,088</b>	<b>6,442</b>
YoY (%)	-3.7%	-27.0%	8.2%	45.3%	25.2%	26.6%
<b>EBITDA Margin (%)</b>	<b>12.7%</b>	<b>9.0%</b>	<b>9.4%</b>	<b>12.6%</b>	<b>14.0%</b>	<b>15.1%</b>
Depreciation	724	1,066	1,240	1,462	1,614	1,763
% of Gross Block	7.2%	8.4%	7.4%	7.4%	7.2%	6.9%
<b>EBIT</b>	<b>2,819</b>	<b>1,519</b>	<b>1,556</b>	<b>2,602</b>	<b>3,473</b>	<b>4,679</b>
EBIT Margin (%)	10.1%	5.3%	5.2%	8.1%	9.6%	11.0%
Interest Expenses	113	65	205	152	182	219
Non-operating/ Other income	148	254	254	274	308	362
<b>PBT</b>	<b>2,854</b>	<b>1,708</b>	<b>1,605</b>	<b>2,724</b>	<b>3,599</b>	<b>4,822</b>
Tax-Total	483	503	470	735	961	1,386
<b>Adj. Net Profit</b>	<b>2,371</b>	<b>1,205</b>	<b>1,135</b>	<b>1,988</b>	<b>2,638</b>	<b>3,437</b>
<b>Reported Profit</b>	<b>2,371</b>	<b>1,205</b>	<b>1,135</b>	<b>1,988</b>	<b>2,638</b>	<b>3,437</b>
PAT Margin	8.5%	4.2%	3.8%	6.2%	7.3%	8.1%
Shares o/s/ paid up equity sh capital	265	276	277	277	277	277
Adj EPS	9	4	4	7	10	12
Dividend payment	186	133	111	139	166	166
Dividend payout (%)	7.8%	11.0%	9.8%	7.0%	6.3%	4.8%
<b>Retained earnings</b>	<b>2,185</b>	<b>1,073</b>	<b>1,024</b>	<b>1,850</b>	<b>2,472</b>	<b>3,271</b>

## Balance sheet

Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
<b>Sources of Funds</b>						
Equity Share Capital	530	552	554	554	554	554
Reserves & Surplus/ Other Equity	13,593	17,428	18,516	20,366	22,838	26,109
<b>Networth</b>	<b>14,124</b>	<b>17,980</b>	<b>19,070</b>	<b>20,920</b>	<b>23,392</b>	<b>26,663</b>
Unsecured Loans/ Borrowings/ Lease Liabilities	4,057	1,428	2,576	3,097	3,727	4,488
Other Liabilities	312	345	399	446	498	556
<b>Total Liabilities</b>	<b>24,122</b>	<b>28,272</b>	<b>30,446</b>	<b>32,848</b>	<b>36,231</b>	<b>41,046</b>
<b>Total Funds Employed</b>	<b>46,547</b>	<b>55,163</b>	<b>60,040</b>	<b>64,700</b>	<b>71,292</b>	<b>80,710</b>
<b>Application of Funds</b>						
<b>Net Fixed Assets</b>	<b>-3,612</b>	<b>-4,308</b>	<b>-4,295</b>	<b>-3,434</b>	<b>-3,024</b>	<b>-2,655</b>
Capital WIP	4,471	4,442	3,984	3,586	3,227	2,905
<b>Current assets</b>	<b>12,167</b>	<b>14,772</b>	<b>14,107</b>	<b>15,517</b>	<b>17,889</b>	<b>21,693</b>
Inventory	2,942	2,833	3,780	3,094	3,453	4,014
Inventory Days	66	49	49	49	49	49
Debtors	5,702	5,834	5,379	6,076	6,366	6,763
Debtors Days	81	73	73	69	64	58
Other Current Assets	1,301	1,262	2,046	2,660	2,926	3,218
Cash and Cash equivalent	810	1,111	416	753	1,321	2,269
<b>Current Liabilities/Provisions</b>	<b>8,301</b>	<b>8,911</b>	<b>10,524</b>	<b>10,932</b>	<b>11,669</b>	<b>13,002</b>
Creditors / Trade Payables	4,663	7,621	6,972	6,863	7,013	7,651
Creditor Days	91	86	86	91	81	76
Liabilities	919	849	1,369	1,460	1,536	1,619
<b>Net Current Assets</b>	<b>3,866</b>	<b>5,861</b>	<b>3,583</b>	<b>4,585</b>	<b>6,221</b>	<b>8,692</b>
<b>Total Asset</b>	<b>24,122</b>	<b>28,272</b>	<b>30,446</b>	<b>32,848</b>	<b>36,231</b>	<b>41,046</b>
<b>Total Capital Employed</b>	<b>20,256</b>	<b>22,411</b>	<b>26,863</b>	<b>28,263</b>	<b>30,011</b>	<b>32,354</b>

## Financial Statements

## Cash Flow Statement

Cash Flow Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Profit before tax</b>	<b>2,371</b>	<b>1,205</b>	<b>1,135</b>	<b>1,988</b>	<b>2,638</b>	<b>3,437</b>
<b>Adjustments: Add</b>						
Depreciation and amortisation	724	1,066	1,240	1,462	1,614	1,763
Interest adjustment	-35	-188	-49	-122	-126	-143
<b>Change in assets and liabilities</b>	<b>2,874</b>	<b>1,950</b>	<b>2,215</b>	<b>3,190</b>	<b>3,960</b>	<b>4,890</b>
Inventories	796	109	-947	685	-359	-561
Trade receivables	982	-132	455	-696	-290	-396
Trade payables	-2,453	2,958	-650	-109	150	638
Other Liabilities and provisions	1,521	-2,351	2,242	512	582	690
Other Assets	382	38	-784	-614	-266	-293
Taxes	104	12	54	34	37	41
<b>Net cash from operating activities</b>	<b>4,162</b>	<b>2,603</b>	<b>2,591</b>	<b>3,002</b>	<b>3,813</b>	<b>5,008</b>
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-4,818	-2,646	-3,679	-2,443	-2,613	-2,762
Net Sale/(Purchase) of investments	-28	-777	31	419	439	480
<b>Net cash (used) in investing activities</b>	<b>-4,882</b>	<b>-3,407</b>	<b>-4,053</b>	<b>-2,035</b>	<b>-2,185</b>	<b>-2,294</b>
Interest expense	1,160	-120	-592	-10	-16	-21
Dividend paid	-132	-186	-133	-111	-139	-166
Other financing activities	-1,152	2,653	-45	-139	-166	-166
<b>Net cash (used) in financing activities</b>	<b>206</b>	<b>2,666</b>	<b>-526</b>	<b>-10</b>	<b>-16</b>	<b>-21</b>
<b>Closing Balance</b>	<b>1,309</b>	<b>3,171</b>	<b>1,183</b>	<b>2,140</b>	<b>3,752</b>	<b>6,445</b>
<b>FCF</b>	<b>97</b>	<b>-115</b>	<b>-1,559</b>	<b>209</b>	<b>878</b>	<b>1,966</b>
Capex ( % of sales )	4,065	2,717	4,149	2,800	2,900	3,000

## Key Ratios

Key Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Solvency Ratios</b>						
Debt / Equity	0.3	0.1	0.1	0.1	0.2	0.2
Net Debt / Equity	0.2	-0.1	0.1	0.0	0.0	-0.1
Debt / EBITDA	1.1	0.5	0.9	0.7	0.7	0.7
Current Ratio	0.8	-0.7	0.5	0.2	0.0	-0.3
<b>DuPont Analysis</b>						
Sales/Assets	1.2	1.0	1.0	1.0	1.0	1.0
Assets/Equity	1.7	1.6	1.6	1.6	1.5	1.5
RoE	16.8%	6.7%	6.0%	9.5%	11.3%	12.9%
<b>Per share ratios</b>						
Reported EPS	8.9	4.4	4.1	7.2	9.5	12.4
Dividend per share	0.7	0.5	0.4	0.5	0.6	0.6
BV per share	53.3	65.2	68.8	75.5	84.4	96.2
Cash per Share	3.1	4.0	1.5	2.7	4.8	8.2
Revenue per Share	105.4	104.0	107.8	116.2	131.0	153.8
<b>Profitability ratios</b>						
Net Profit Margin (PAT/Net sales)	8.3%	8.5%	4.2%	3.8%	6.2%	7.3%
Gross Profit / Net Sales	34.0%	24.9%	27.0%	28.3%	29.0%	29.7%
EBITDA / Net Sales	12.7%	9.0%	9.4%	12.6%	14.0%	15.1%
EBIT / Net Sales	10.1%	5.3%	5.2%	8.1%	9.6%	11.0%
ROCE (%)	17.8%	7.8%	7.8%	11.9%	14.1%	16.7%
<b>Activity ratios</b>						
Inventory Days	66	49	49	49	49	49
Debtor Days	81	73	73	69	64	58
Creditor Days	91	86	86	91	81	76
<b>Leverage ratios</b>						
Interest coverage	25.0	23.2	7.6	17.1	19.1	21.4
Debt / Asset	0.2	0.0	0.1	0.1	0.1	0.1
<b>Valuation ratios</b>						
EV / EBITDA	15.3	19.3	19.0	12.9	10.1	7.7
PE (x)	21.8	44.6	47.6	27.2	20.5	15.7

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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